

# Housing Commission Bond Recommendations 2022

Citizen Bond Committee – February 10, 2022



Sarah Darr – Housing Director





# Overview



- Affordable Housing 101
- Flagstaff Conditions
- 10-Year Plan
- Housing Commission Bond Recommendations
  - Emergency Housing
  - Rental Housing
  - Workforce Housing



# Important Terms

**AMI** – Area Median Income

**Low-Income** – under 80% AMI (\$55,350 for household of 3)

**HUD** - U.S. Department of Housing and Urban Development

**ADOH** – AZ Department of Housing

**LIHTC** – Low Income Housing Tax Credit



# Affordable Housing 101

What is “affordable housing”?

What in the world is the housing continuum?

....but how?





What do you think of when  
you hear the words  
“affordable housing?”



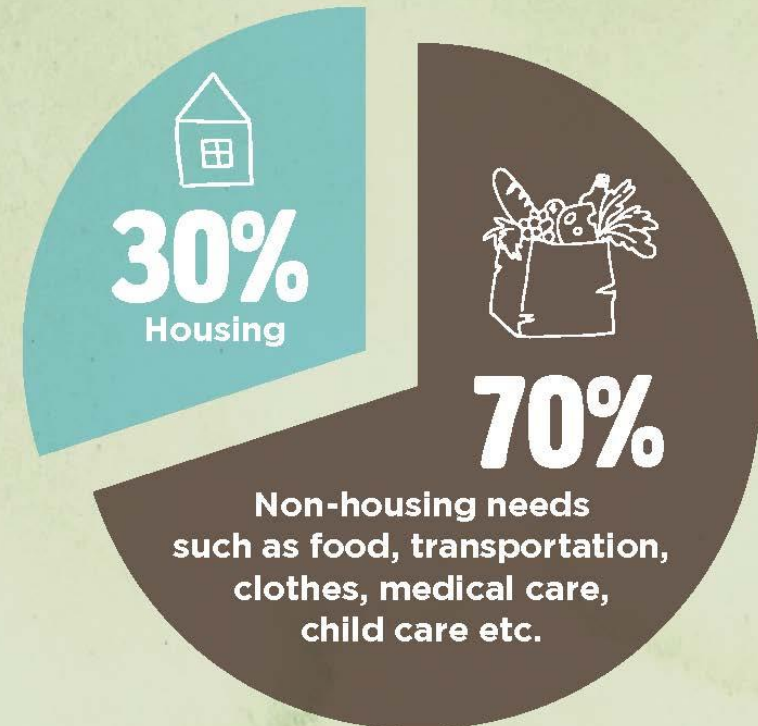
# What is “Affordable Housing”?

When a household pays **no more than 30 percent of annual gross income on housing and housing related expenses.**

Source: U.S. Department of Housing and Urban Development)

## US Department of Housing and Urban Development's Definition of Affordable Housing

### GROSS INCOME







# It's All Relative

*Because affordability is based  
on income and market prices,  
“solving” the issue is relative.*





# But isn't all housing affordable if you make enough money?



## Housing that is affordable

- Market based sale or rental price

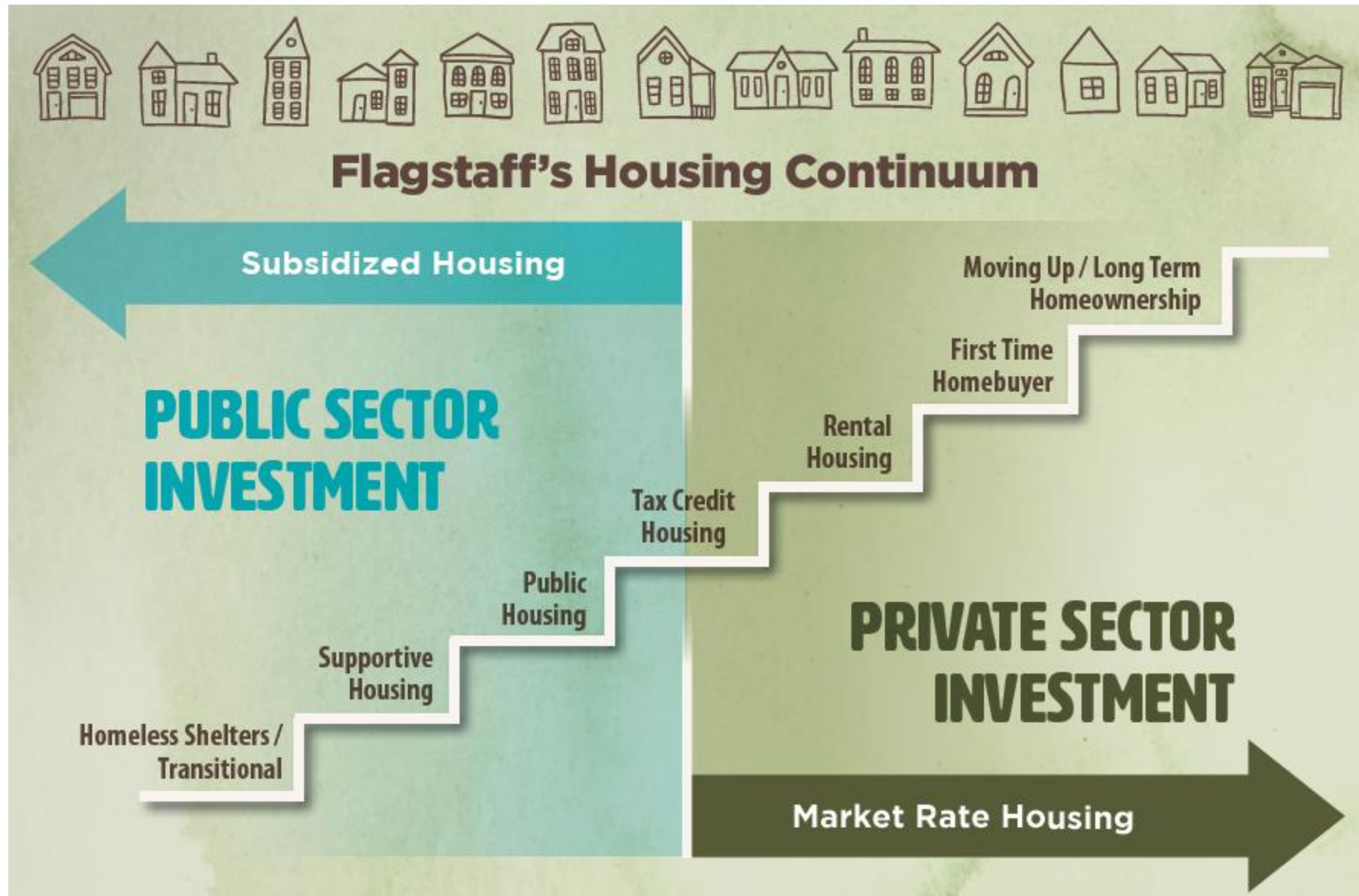
## Affordable Housing

- 2 Prong Test
  - *What are the housing costs?*
  - *Who is eligible to purchase or rent it?*
- Subsidy or investment of some type exists





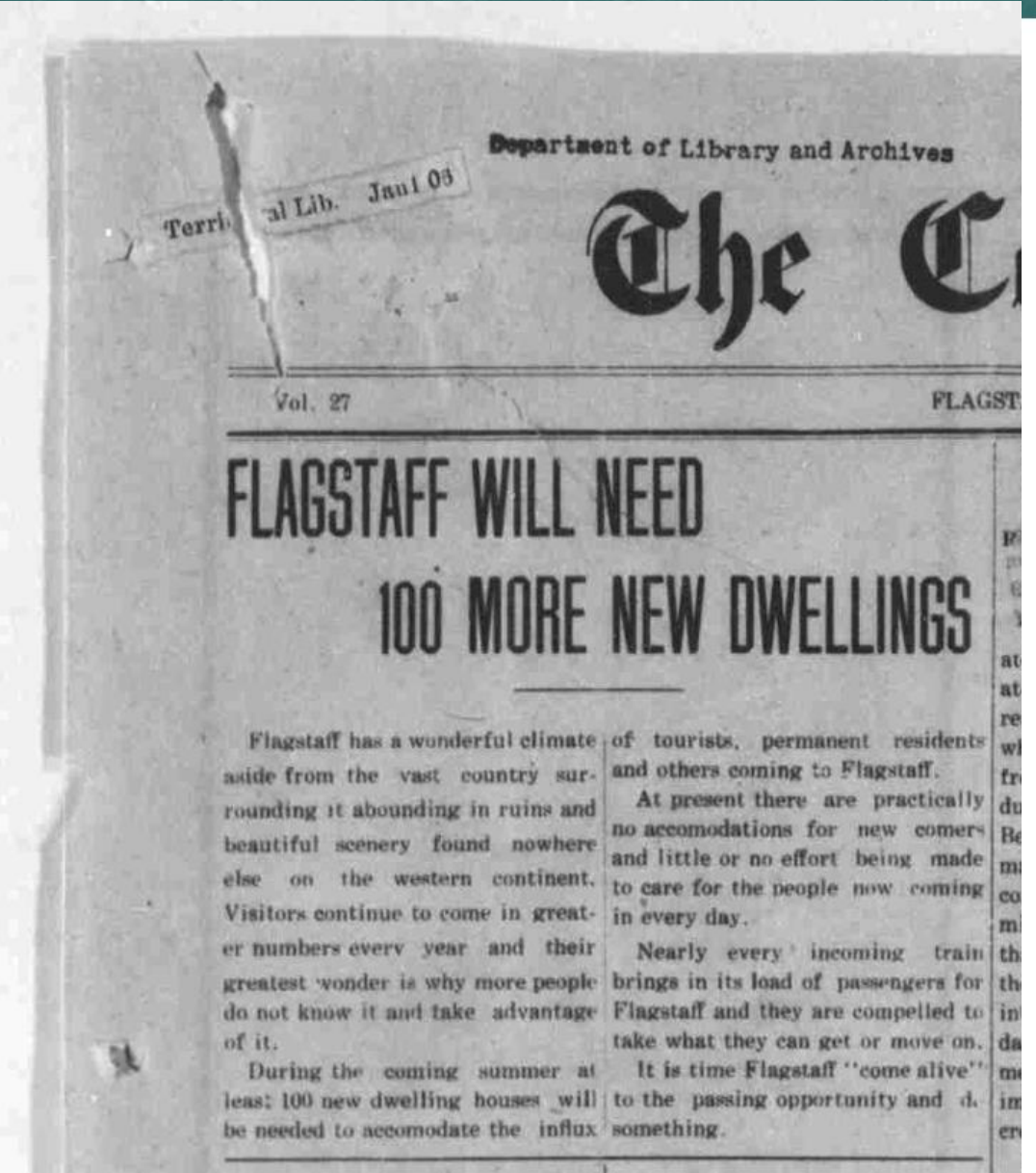
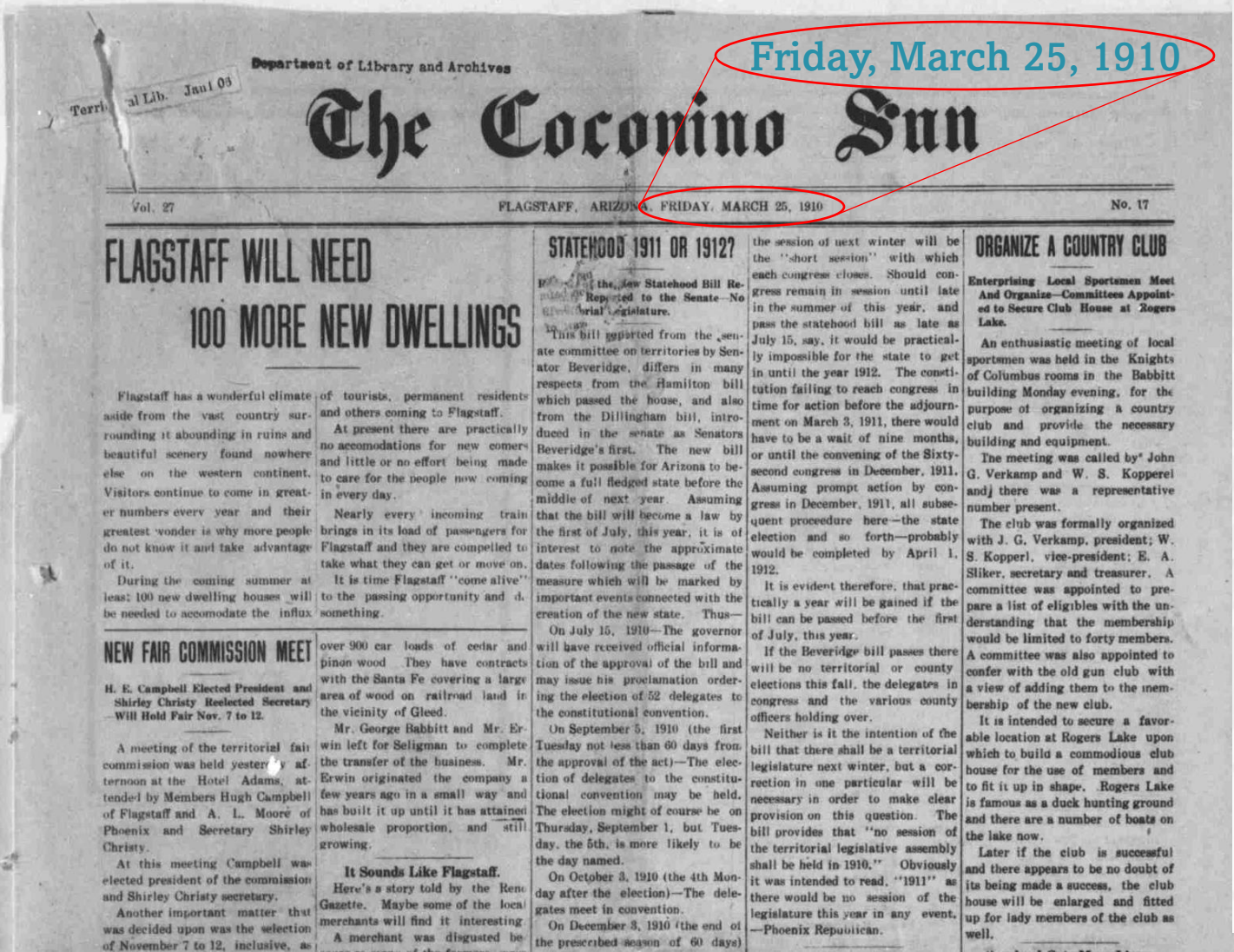
# Basic Housing Continuum







# Not a new issue







# Local Data



## Homeownership | Increasingly Unaffordable

Since 2011, the median sales price of a home rose by **119%**, while Area Median Income rose by only **16%**.

119%

### Increase in Median Sales Price <sup>1</sup>

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
\$230,000	\$230,988	\$267,000	\$291,900	\$298,000	\$316,000	\$348,293	\$368,000	\$385,000	\$420,535	\$502,500

16%

### Increase in Area Median Income <sup>2</sup>

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
\$59,600	\$56,700	\$55,900	\$53,600	\$54,200	\$56,900	\$56,600	\$63,000	\$68,800	\$67,700	\$69,200

16%

### Increase in Fair Market Rent (2-bedroom) <sup>3</sup>

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
\$1,136	\$887	\$1,066	\$1,021	\$1,033	\$1,135	\$1,037	\$1,129	\$1,237	\$1,266	\$1,315

<sup>1</sup> Northern Arizona MLS. Information is deemed reliable, but is not guaranteed. | <sup>2</sup> <https://www.huduser.gov/portal/datasets/il.html#2021> | <sup>3</sup> <https://www.huduser.gov/portal/datasets/fmr.html>

## Housing Cost Burden Analysis

# 22,073

Flagstaff Community Members  
are housing cost burdened.\*



### All Households

Total Households with Payments | 19,531  
Households Cost Burdened | 8,829

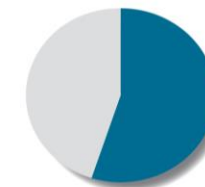
**45% Cost Burdened**



### Homeowners

Total Households with mortgages | 7,542  
Cost Burdened Homeowners | 2,005

**27% Cost Burdened**



### Renters

Total Renter Households | 11,989  
Cost Burdened Renters | 6,824

**57% Cost Burdened**

\* **Cost burdened households** pay more than 30% of their monthly income towards housing.

\* US Census 2019 ACS

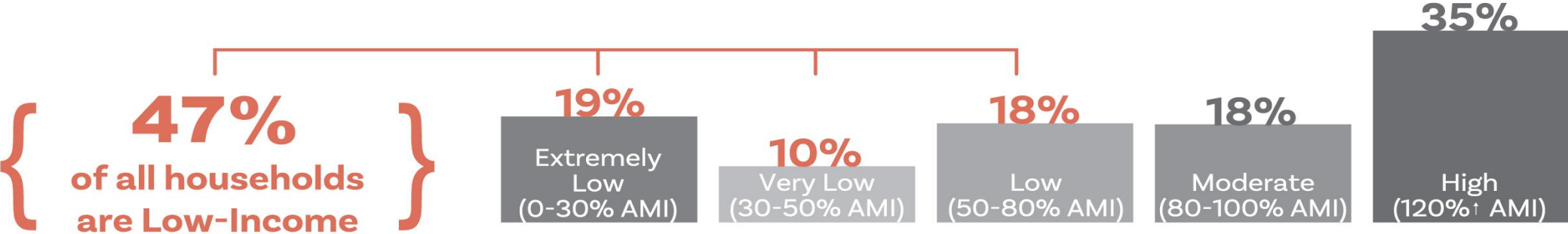




# Local Data



## City of Flagstaff Income Levels

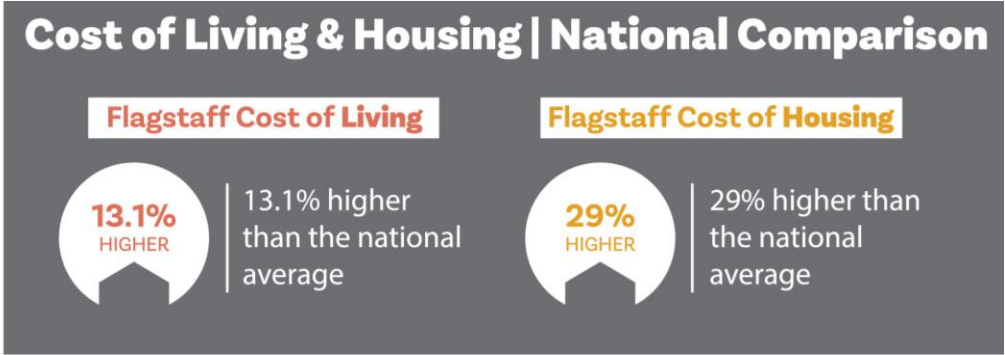


\* US Census 2019 ACS

## HUD Flagstaff Area Median Income (AMI) Limits | 2021

Income Category	AMI %	AMI Income Ranges*
Extremely Low	0 - 30%	\$0 - \$21,960
Very Low	30 - 50%	\$21,961 - \$34,600
Low	50 - 80%	\$34,601 - \$55,350
Low to Moderate	80 - 120%	\$55,351 - \$83,040
Moderate to High	120% >	\$83,041 >

\* Income ranges based on three person household



Data is from the Council for Community Economic Research 2020 Annual Average Data Report



# What Can Flagstaff Families Afford?

## What Can Flagstaff Families Afford?

Household Type	Retiree on Fixed Income	Service Industry Worker @ \$15/hr.	Single Parent with 2 children	Family of 4 people	Young married couple
Number in Household	1	1	3	4	2
Estimated Household Income	\$16,140	\$31,200	\$55,350	\$76,800	\$73,800
% of Area Median Income	30%	58%	80%	100%	120%
Max <b>Rent</b> They Can Afford	\$404	\$780	\$1,384	\$1,920	\$1,845
Max <b>Home Purchase Price</b> They Can Afford *	\$49,000	\$125,000	\$248,000	\$359,000	\$343,000
\$ Needed for <b>Downpayment &amp; Closing Costs</b> *	\$3,185	\$8,125	\$16,120	\$23,335	\$22,295

\* 4.0% interest rate; 30-year term with 3.5% down payment. Assumes 30% housing ratio and that household debt does not impact affordability. Insurance = \$50/mo. Taxes = \$120/mo. No HOA payment. Monthly MI @0.28%.



# Why is housing in Flagstaff so expensive?







# Yes, but how?

## Demand Side

- Help make the existing housing stock affordable to the community
- Most often in the form of lowering the monthly cost to an assisted household or renter.

## Supply Side

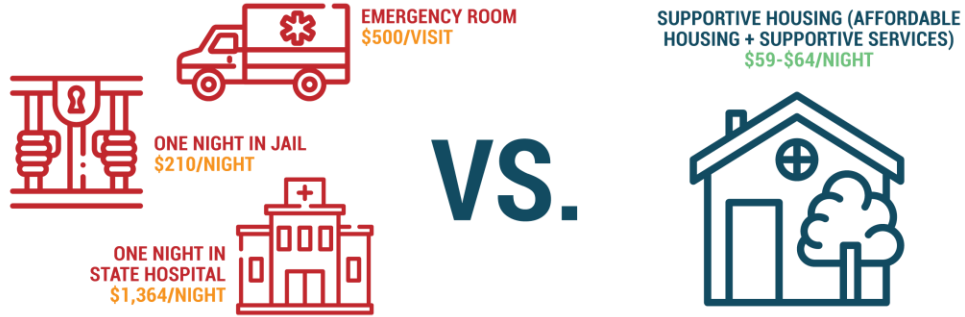
- Aid by developing or rehabilitating units





# Emergency Housing

## 1.) Prevention



**ANNUAL COST OF TAXPAYER-FUNDED SERVICES: \$40,000 PER PERSON**

**ANNUAL COST OF SUPPORTIVE HOUSING: \$22,500 PER PERSON**

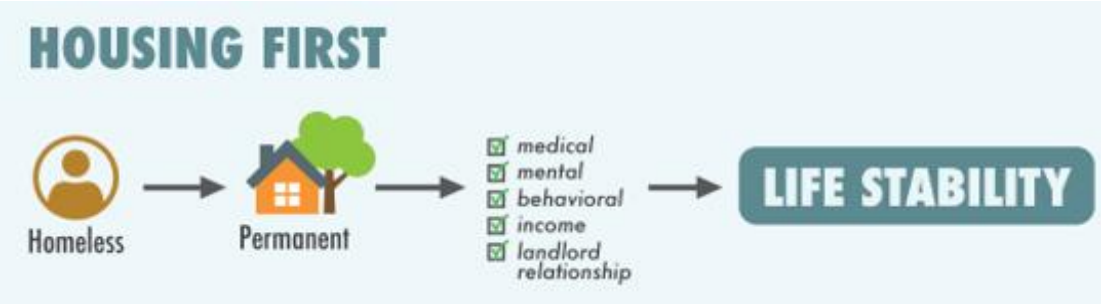
*Portland Downtown Neighborhood Association, Here Together Coalition*

## 2.) Coordinated Entry



front door  
a pathway to end homelessness

## 3.) Housing First



*Housing First, Marin County*



# Rental Housing

Rental programs are most often focused to lower-income households

- 60% AMI and below (\$41,520 / 3-person household)
- College students are typically not eligible

Largest local demand is for 1 and 2 bedroom units

- Need is increasing with the aging population







# Ownership Housing

Ownership programs are often focused on first-time homebuyers, but not always, depending on the funding source

Both demand and supply tools

- Demand tools are typically cheaper than supply

Federal funding limited to 80% AMI and below  
(\$55,350 / 3-person household)

Local challenges



Why are most efforts focused on low-income households?





# Flagstaff Area Median Income (AMI) 2021



## Federal and State Funding

## Local Funding

Household size	30%	50%	60%	80%	100%	125%	150%
1	\$16,150	\$26,900	\$32,280	\$43,050	\$53,800	\$67,250	\$80,700
2	\$18,450	\$30,750	\$36,900	\$49,200	\$61,500	\$76,875	\$92,250
3	\$21,960	\$34,600	\$41,520	\$55,350	\$69,200	\$86,500	\$103,800
4	\$26,500	\$38,400	\$46,080	\$61,450	\$76,800	\$96,000	\$115,200
5	\$31,040	\$41,500	\$49,800	\$66,400	\$83,000	\$103,750	\$124,500
6	\$35,580	\$44,550	\$53,460	\$71,300	\$89,100	\$111,375	\$133,650
7	\$40,120	\$47,650	\$57,180	\$76,200	\$95,300	\$119,125	\$142,950
8	\$44,660	\$50,700	\$60,840	\$81,150	\$101,400	\$126,750	\$152,100

Note: 30%, 50%, 80% and 100% income categories are provided by HUD. The 60% income category is provided by the Arizona Department of Housing.

Flagstaff Metropolitan Statistical Area  
(MSA)





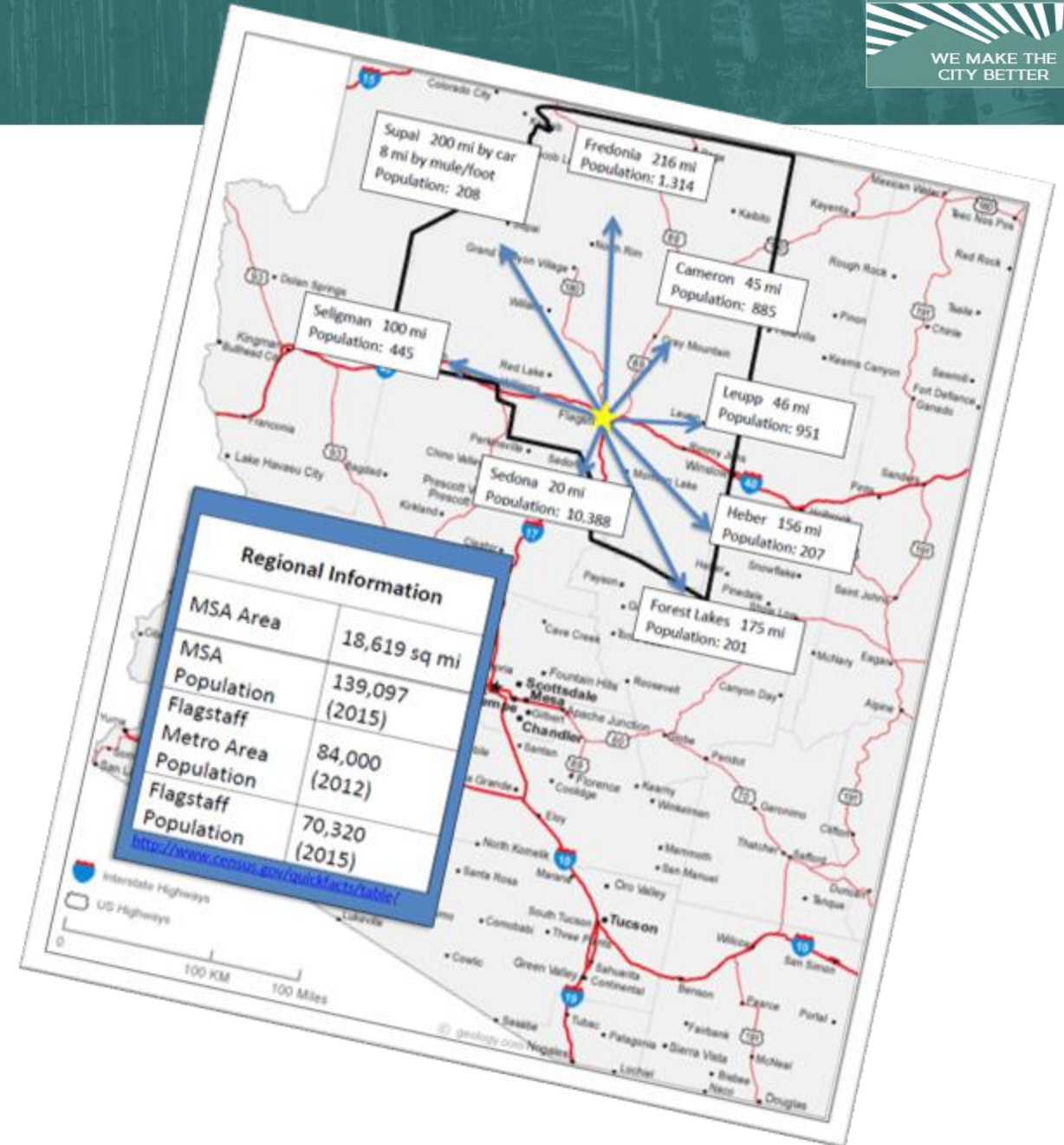
# Tween Challenge

Flagstaff is too big  
to be small...

and too small to be  
big

Metropolitan – Federal

Rural – State of Arizona





# What about other funding sources?

## Federal - Grant / Entitlement

- CDBG – approx. \$600,000 annually (limited to 80% & below)
- USDA, HOME, ESG, HOPWA, Housing Trust Fund (not directly eligible)

## State – Competitive Processes

- Federal pass-through (HOME, ESG)
- Limited state-based funding
- Tax-credit program (development driven only)

## Local

- General Fund (limited capacity)
- Private Non- and Not-for-Profit
- Foundation or non-profit grants or financing

## Employers

- Employer Assisted Housing (EAH) programs



## State-Level Legal Barriers to Adopting Affordable Housing Policies in Arizona



- ### State Level Barriers:
- Inclusionary Zoning
  - Rent Control
  - Short-Term Rental Regulation
  - Tax Increment Financing (TIF)





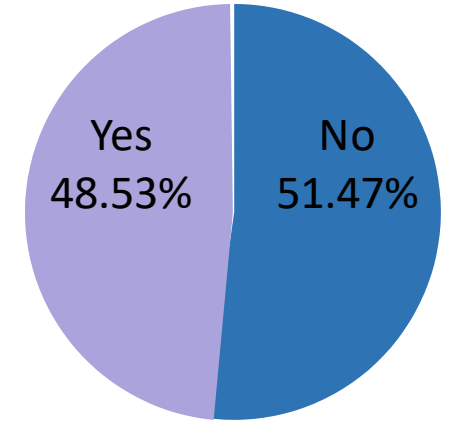
# Financial Considerations

Type of Funding (no priority order)	Housing Projects
General Fund Support/Pay as you Go – Budget process	Yes
General Obligation Bonds – Secondary Property Tax <ul style="list-style-type: none"><li>• Possible for November 2022 election</li></ul>	Yes
Debt Financing (Lease/Purchase) <ul style="list-style-type: none"><li>• Will need a repayment source, annual allocation/Gen Fund</li></ul>	Yes
Federal and/or State Funding	Yes
Sales Tax – Possible future election	Yes
Sell Properties – Limited Resource	Maybe
Short Term Rental Tax/Fee – Not allowed, already paying sales tax	No
User Fees – Not available for housing	No
<b>Development Fees</b> – Not available for Housing	No



# 2018 Lessons Learned

**In 2018, Proposition 422 did not pass by fewer than 3% of votes. The Housing Commission explored why and found:**



- Council direction to place 422 on the November 2018 ballot was later than typical timing for similar items, limiting the time available to prepare to inform and educate citizens
- Divided Council support (4 - 3 decision to place on ballot)
- Citizens felt the proposition was vague and lacked accountability
- Many citizens misunderstood the tax implications of the bond



# What has changed?

## Timing

- It has been 4 years
- Work started in 2019
- Framework for recommendations in place early (2020 and refreshed in 2021)

## City Council Support

- Established a Housing Commission and Declared a Housing Emergency
- Council has expressed support for a Housing bond measure multiple times

## Oversight and Accountability

- Housing Commission creating with specific, broad membership
- Ordinance creating the Housing Commission specifically mentions oversight responsibility of bond funds

## Specificity in Programs/Activities and Predicted Outcomes

- Housing Commission created **very specific bond recommendations with predicted outcomes**
- 10-Year Housing Plan scheduled for approval by City Council February 15
- Incentive Policy for Affordable Housing underway

## Growing Community Interest and Understanding of Affordable Housing Challenges







# Ordinance 2019-25

## Creation of Flagstaff's Housing Commission

“The Housing Commission serves as an advisory board to City Council, makes recommendations with respect to housing policies, needs, and programs in Flagstaff, and furnishes the Council with information through the Housing Director.”





# Ordinance 2019-25

“The Housing Commission shall:

- Examine funding sources available for housing in Flagstaff, make recommendations to City Council on potential funding sources, including bond measures, and provide oversight of any funds approved by the electorate for housing purposes.
- Make recommendations on the creation and implementation of housing and housing policies and programs for the benefit of Flagstaff and its citizens.



# 13 Commission Members



## **Building and Real Estate Professionals (6 members)**

- Builders (*required*)
- Developers (*required*)
- Realtors (*required*)
- Lenders (*required*)
- Residential Multi-Family/Property Management Representative (*required*)

## **Low Income Housing Experts (4 members)**

- Flagstaff Housing Authority Board of Commissioners member (*required*)

## **Community Representatives (3 members)**





# Why did the Housing Commission make bond recommendations?



## 2019-2020

Council tasked newly formed Housing Commission with creating recommendations for 2020 election

- Fall/Winter 2019-2020
- December 2020 Council declared Housing Emergency

## 2021

- **February** - Council requested review of 2020 recommendations in preparation for 2022
- **June** - Bond possibilities presentation to Council
- **Jan 21 – February 2022** - *10 - Year Housing Plan*
- **November** - Housing Commission approved bond recommendations





# Housing Emergency Declaration

## Council declared a housing emergency in December 2020

- Encourage more **economically priced housing** construction for workforce
- Increase attainable housing opportunities for and **occupied by local residents.**
- Explore and support **additional local funding resources** for the creation of affordable housing units and expansion of programs to improve housing.
- **Foundational framework for establishing work programs, prioritizing staff work and allocating necessary funding for its implementation.**

A single, comprehensive community-facing document to summarize the City's immediate and long-term needs and strategies to improving housing affordability.



# Housing is interconnected to:

## Flagstaff's Interconnected Challenges and Shared Solutions

- Healthcare
- Neighborhoods and equity
- Sustainability
- Zoning and land use
- Economic opportunity







- ✓ **Create** housing options for households at all income levels and family sizes occupied by local residents.
- ✓ **Connect** people to equitable housing solutions.
- ✓ **Preserve** affordable housing.
- ✓ **Protect** people from housing discrimination and remove housing barriers.





# Flagstaff Housing Survey 2021

## 2,949 responses

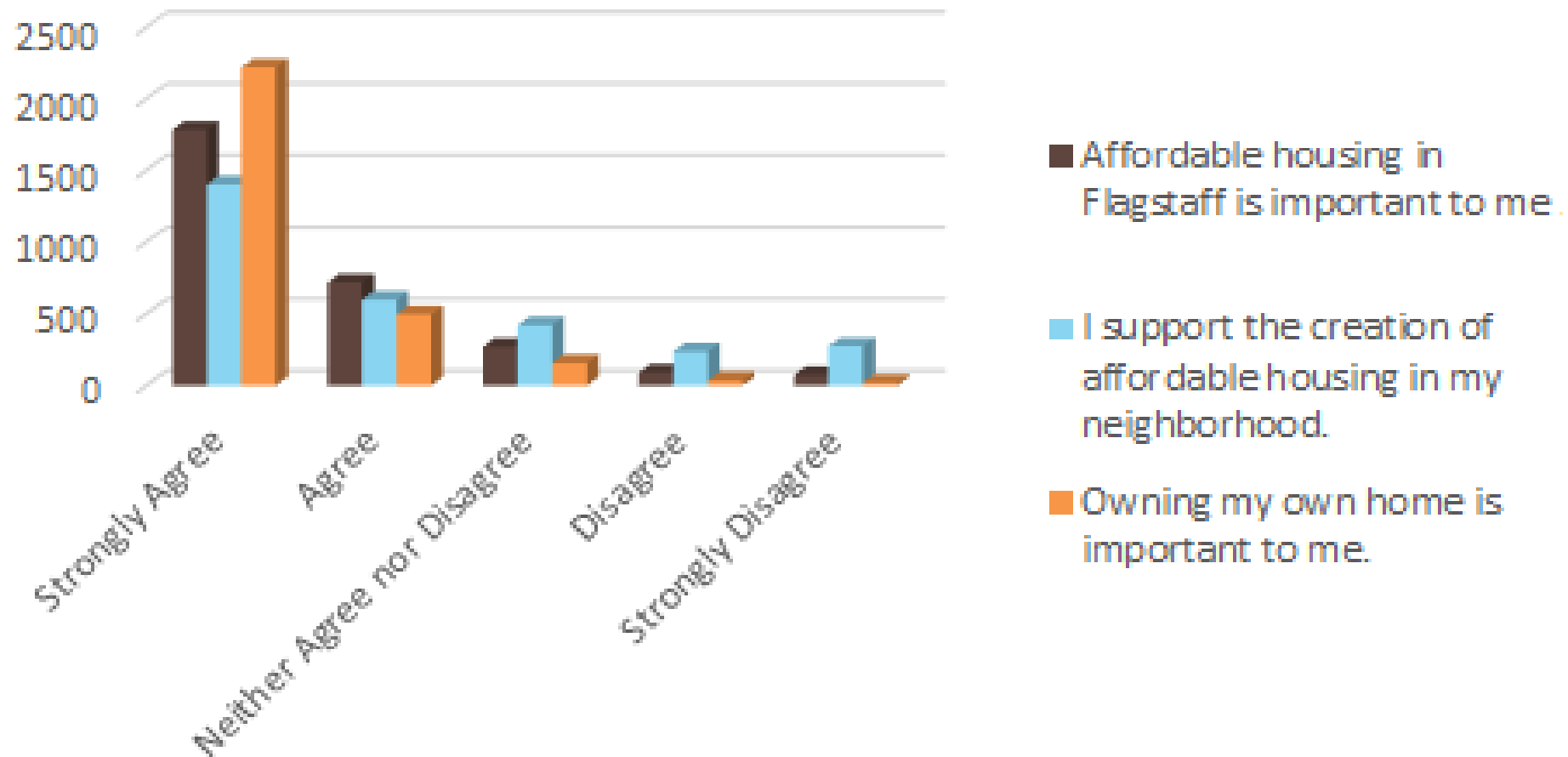
- at least one response from 78 of 85 Flagstaff neighborhoods
- 62% homeowners
- 32% renters
- 3% people experiencing homelessness
- More than one in four respondents (28%) reported having lived in Flagstaff for ten years or more



# Flagstaff's Housing Survey 2021

## Support for Affordable Housing Development

### Support for Affordable Housing



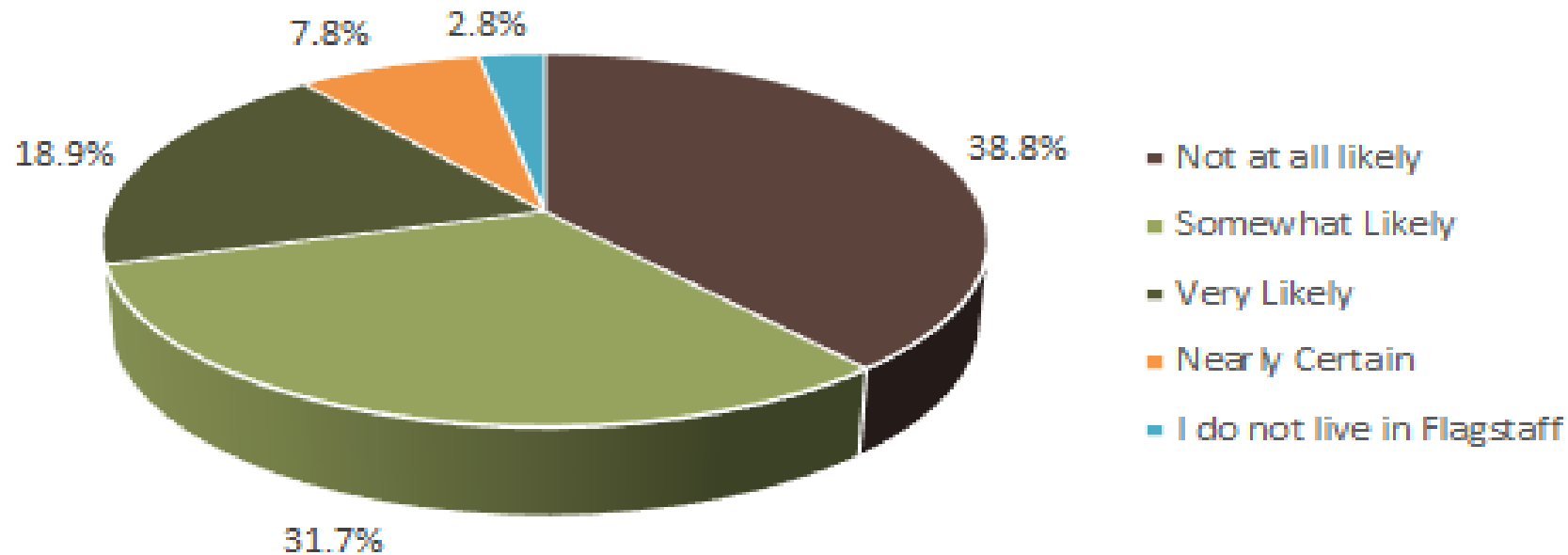




# Flagstaff's Housing Survey 2021

## Respondents Considering Leaving

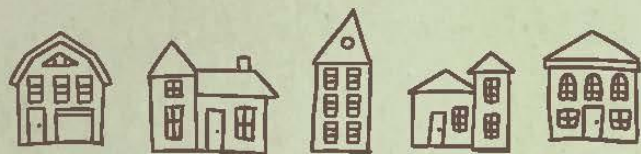
Likelihood to leave Flagstaff due to Housing Costs



The intent of the Housing Plan is to help individuals and families achieve housing affordability for those who want to continue to call Flagstaff their home.



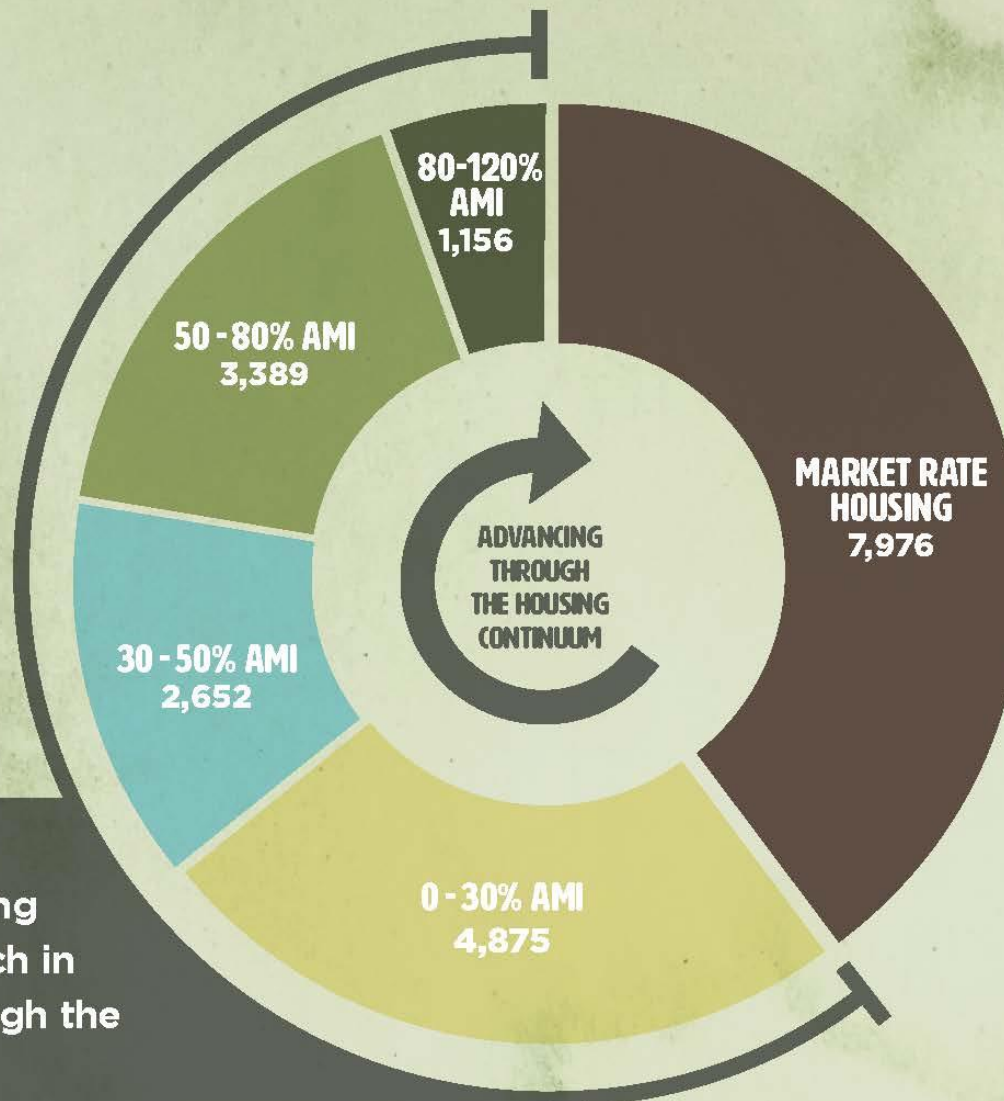
# Total Housing Need



## Housing Gap Analysis

**7,976** market rate houses are needed to free up pressure on the Flagstaff's housing stock and catch up with population growth.

**12,072** lower income households are living in less-than-ideal housing situations such as paying too much in rent and unable to advance through the housing continuum.





# Recommendations from Plans



## Pursue bond issue for affordable & workforce housing

- Create structures to recapture and recycle public investments in housing
- Pursue bond issue for affordable and workforce housing
- Explore options for recurring local public and private funding source

## Create 3: Create a dedicated funding source for affordable housing in Flagstaff.

Create 3.1 - **Present 2022 Bond Measure to Council and Community for consideration** for additional funding to be leveraged with local, state and federal dollars. (already underway)







# Bond Recommendations & 10-Housing Year Plan

## Create 1: Incentivize the creation of affordable units through various programs and mechanisms.

Create 1.5: Explore **in-lieu alternatives to providing affordable housing units** (e.g. down payment assistance program, donation of finished lots, in-lieu payment, etc.).

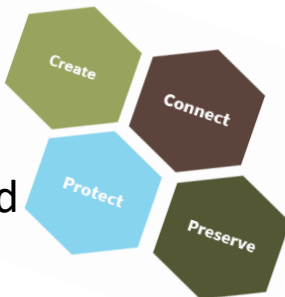
## Create 3: Create a dedicated funding source for affordable housing in Flagstaff.

Create 3.2: **Create a fund for the purpose of acquiring land/units for affordable housing** in order to be able to respond to opportunities as they arise.

Create 3.3: **Identify ongoing resource opportunities for the purpose of assisting households experiencing homelessness, households at risk of becoming homeless, first time homebuyers, and affordable housing targeted to these populations**

## Create 5: Explore regulatory efficiency and cost saving practices.

Create 5.9: **Prioritize the development of City of Flagstaff owned land designated for affordable housing and evaluate other City owned parcels for affordable and mixed-income housing.**





# Bond Recommendations & 10-Housing Year Plan

**Connect 1: Reduce homelessness in the Flagstaff community and seek creative solutions to foster housing permanency for all.**

Connect 1.3: Continue to **support and develop Coordinated Entry** as a meaningful process that provides linkages to **healthcare, behavioral health and housing.**

**Connect 2: Implement a framework for centering equity in proposed and existing housing practices, policies, and programs.**

**Preserve 2: Expand efforts to preserve existing housing stock.**

Preserve 2.1: **Continue homeownership rehabilitation program and create an affordable rental rehabilitation program** with a focus of establishing safe, decent and sustainable housing.

Preserve 2.2: **Acquire and rehabilitate already built properties for affordable housing projects** when financially feasible.



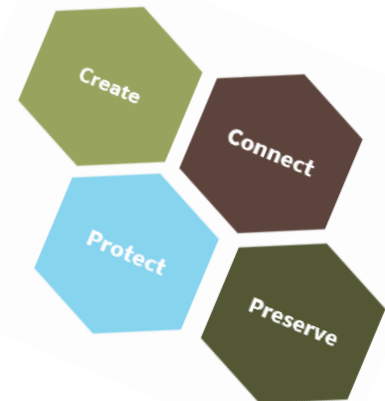
# Bond Recommendations & 10-Housing Year Plan

**Protect 2: Ensure affordable housing is a part of every Flagstaff neighborhood and work to address disparate impact as part of any development or redevelopment.**

Protect 2.2: **Encourage diversity in housing options in all neighborhoods**, understanding that exclusive communities are incompatible with the City of Flagstaff's mission to protect and enhance the quality of life for all.

**Protect 3: Continue Flagstaff's commitments to further Federal and Arizona Fair Housing laws in all housing-related services and programs, support those who seek to reduce barriers to equitable housing opportunities and provide Fair Housing education and resources to the community.**

Protect 3.2: **Work with community partners to ease reentry, assess the need for alternative housing models and processes, and create necessary programs that address the systemic and structural barriers to justice-impacted citizens.**



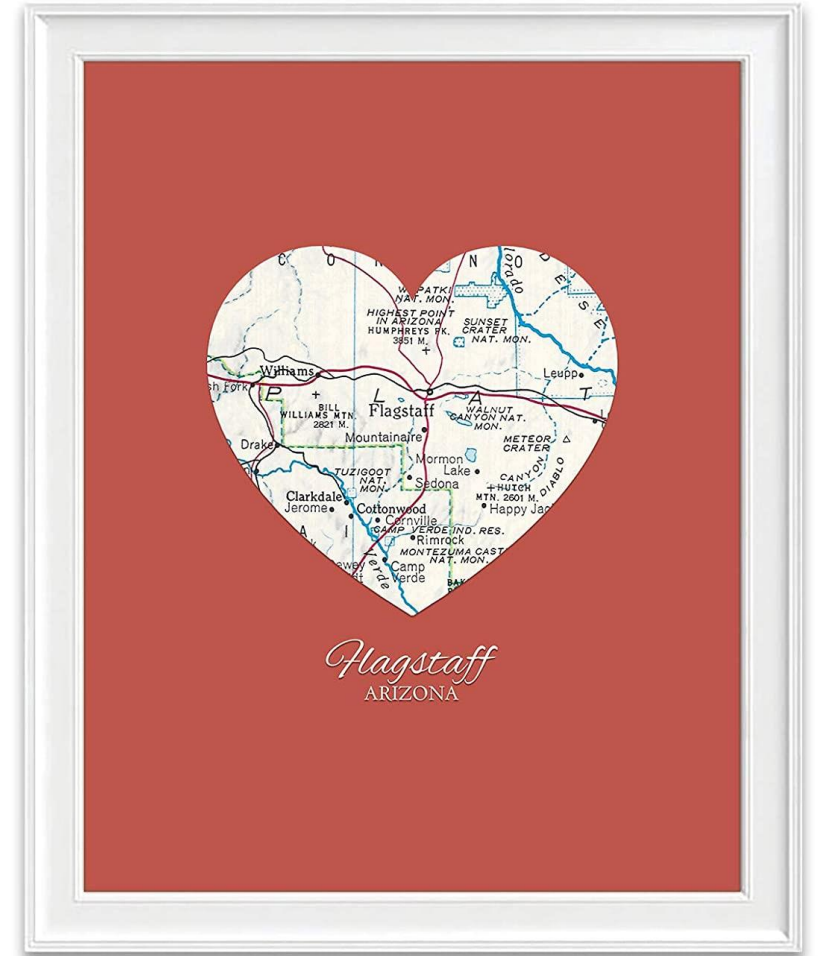




# What makes bond funds different?

## *Local Money = Local Rules*

The community makes the rules for how the funds are spent through recommendations from the Housing Commission and decisions from City Council.





# What is different with bond funds?

## **Local funding can provide the ability to:**

- Set up programs as a revolving fund for longevity & sustainability where possible
- Provide “gap funding” for costs directly incurred in construction or rehabilitation of housing
- Include for-profit and non-profit developers, contractors, builders, governmental agencies, and partnerships thereof
- Provide for both rental and ownership.



# Emergency Housing Recommendations - \$17 Million

Project ( <i>Prioritized</i> )	Amount	Estimated Community Benefit	Revolving Fund Capability (Yes/ No)
<b>EH1:</b> Partner with local service providers in support of existing, development of new, and/or expansion of housing assistance programs.	\$11 million	Initially 2,200+ Households Served	Potentially
<b>EH2:</b> Eviction prevention and diversion programs to serve households experiencing or at risk of experiencing homelessness. (\$3,000 per household)	\$6 million	Initially 2,000 Households Served	Potentially





# Rental Housing Recommendations - \$16 Million

Project ( <i>Prioritized</i> )	Amount	Estimated Community Benefit	Revolving Fund Capability (Yes/ No)
<b>RH1:</b> Redevelopment of housing owned & managed by the City	\$5 million	250 units minimum (serving various AMIs)	No
<b>RH2:</b> Incentivize private sector affordable rental housing development through the creation of a revolving loan fund	\$8 million	700-800 units (assuming an investment of \$750K per project – 10 projects)	Yes, with repayment after expiration of affordability time period
<b>RH3:</b> Acquisition of property in partnership with private developers to adaptively reuse available property for the creation of affordable housing	\$3 million	Approximately 75 households	Yes



# Workforce Housing – Homeownership - \$17 Million



Project (Prioritized)	Amount	Estimated Community Benefit	Revolving Fund Capability (Yes/ No)
<b>OWN1:</b> Homebuyer Purchase Assistance Loan Program	\$11 million	480 homeowners served with initial purchase funding	Yes
<b>OWN2:</b> Development and/or Acquisition Assistance for land/units to create affordable homeownership opportunities	\$5 million	125 housing units created	Yes
<b>OWN3:</b> Owner Occupied Health and Safety Housing Rehabilitation Loan Program	\$1 million	25 households served with initial funding	Yes



# Housing Commission Bond Recommendations

Projects	Rec. #1	Rec. #2	Rec. #3
<b>EH1:</b> Partner with local service providers in support of existing, development of new, and/or expansion of housing assistance programs.	\$ 11,000,000	\$ 8,000,000	\$ 7,000,000
<b>EH2:</b> Eviction prevention and diversion programs to serve households experiencing or at risk of experiencing homelessness. (\$3,000 per household)	\$ 6,000,000	\$ 5,000,000	\$ 3,000,000
<b>RH1:</b> Redevelopment of housing owned & managed by the City	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
<b>RH2:</b> Incentivize private sector affordable rental housing development through the creation of a revolving loan fund (Revolving)	\$ 8,000,000	\$ 6,000,000	\$ 3,000,000
<b>RH3:</b> Acquisition of property in partnership with private developers to adaptively reuse available property for the creation of affordable housing (Revolving)	\$ 3,000,000	\$ 2,000,000	\$ 2,000,000
<b>OWN1:</b> Homebuyer Purchase Assistance Loan Program (Revolving)	\$ 11,000,000	\$ 9,000,000	\$ 6,000,000
<b>OWN2:</b> Development and/or Acquisition Assistance for land/units to create affordable homeownership opportunities (Revolving)	\$ 5,000,000	\$ 4,000,000	\$ 3,000,000
<b>OWN3:</b> Owner Occupied Health and Safety Housing Rehabilitation Loan Program (Revolving)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
<b>TOTALS</b>	<b>\$ 50,000,000</b>	<b>\$ 40,000,000</b>	<b>\$ 30,000,000</b>



# Questions, Comments, & Discussion

